CCXAP affirms CIFI Holdings (Group) Co. Ltd.'s long-term credit rating at BBB_g-, with stable outlook

Hong Kong, 26 May 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") affirms CIFI Holdings (Group) Co. Ltd.'s ("CIFI" or the "Company") long-term credit rating at BBB_g-, with stable outlook.

Corporate Profile

Incorporate in the Cayman Island in May 2011, CIFI is one of the leading integrated property developers in China. The Company was listed on the main board of the Hong Kong Stock Exchange (Stock Code: 0884.HK) in November 2012. The Company has a strong presence in China's major city clusters covering the Yangtze River Delta, Pan-Bohai Rim, Central & Western China and Southern China. As of 28 February 2021, the Company had total land bank of gross floor area of 68.2 million sqm located in 89 cities. As of 31 December 2020, the Lin's family owned 54.6% of the Company's stakes.

Rating Rationale

The BBB_g- long-term credit rating of CIFI is underpinned by the Company's (1) strong sales execution with focus on higher-tier and selectively third-tier cities; (2) high-quality land bank with mixed land acquisition channels; and (3) adequate liquidity position.

However, the rating is constrained by the Company's (1) large exposure to joint-venture projects; and (2) moderate debt leverage.

Rating Outlook

The stable outlook on CIFI's rating reflects our expectation that the Company will maintain good sales execution and improving geographic diversification. We also expect that the Company will maintain a disciplined financial management with adequate liquidity and debt control over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the Company demonstrates a significant growth in contracted sales with a higher percentage of shareholdings in development projects; (2) its land bank scale and geographic diversification improves without material increase in debt; and (3) its credit metrics improve, such as net gearing ratio drops to below 50% and EBIT interest coverage rises to above 3.0x on a sustained basis.

What could downgrade the rating?

The rating could be downgraded if the Company's (1) contracted sales slumps with significant drop in market shares; (2) credit metrics undermines, such as EBIT interest coverage falls below 1.5x or net gearing ratio increases above 100%; or (3) liquidity buffer deteriorates and financing capacity debilitates.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Real Estate Development Industry (December 2019).

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